

DESERT SANDS UNIFIED SCHOOL DISTRICT

Audit Report

EMERGENCY PROCEDURES, EARTHQUAKE PROCEDURES, AND DISASTERS PROGRAM

Chapter 1659, Statutes of 1984

July 1, 2001, through June 30, 2003



STEVE WESTLY
California State Controller

January 2007



STEVE WESTLY
California State Controller

January 5, 2007

Doris Wilson, Ed.D., Superintendent
Desert Sands Unified School District
47-950 Dune Palms Road
La Quinta, CA 92253

Dear Dr. Wilson:

The State Controller's Office audited the costs claimed by the Desert Sands Unified School District for the legislatively mandated Emergency Procedures, Earthquake Procedures, and Disasters Program (Chapter 1659, Statutes of 1984) for the period of July 1, 2001, through June 30, 2003.

The district claimed and was paid \$369,561 for the mandated program. Our audit disclosed that the entire amount is unallowable because the district claimed costs that were not supported with adequate documentation. The district should return the total amount to the State.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (COSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at COSM's Web site, at www.csm.ca.gov (Guidebook link); you may obtain IRC forms by telephone, at (916) 323-3562, or by e-mail, at csminfo@csm.ca.gov.

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

Original signed by:

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/vb:ams

cc: Charlene Whitlinger

Assistant Superintendent, Business Services
Desert Sands Unified School District

Cindy McDaniel

Director of Fiscal Services
Desert Sands Unified School District

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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Desert Sands Unified School District for the legislatively mandated Emergency Procedures, Earthquake Procedures, and Disasters Program (Chapter 1659, Statutes of 1984) for the period of July 1, 2001, through June 30, 2003. The last day of fieldwork was June 12, 2006.

The district claimed and was paid \$369,561 for the mandated program. Our audit disclosed that the entire amount is unallowable because the district claimed costs that were not supported with adequate documentation. The district should return the total amount to the State.

Background

Chapter 1659, Statutes of 1984, added and amended *Education Code* Sections 35295, 35296, 35297, 40041.5, and 40042. The law requires each school district and county superintendent of schools to establish an earthquake emergency procedure in each school building under its jurisdiction. In addition, the law requires that school districts allow public agencies to use school buildings, grounds, and equipment for mass care and welfare shelters during disasters or other emergencies affecting public health and welfare. This law further eliminated school districts' authority to recover direct costs from public agencies that use school facilities during local emergencies.

On July 23, 1987, the Commission on State Mandates (COSM) determined that Chapter 1659, Statutes of 1984, imposed a state mandate reimbursable under *Government Code* Section 17561.

Parameters and Guidelines establishes the state mandate and defines reimbursement criteria. COSM adopted *Parameters and Guidelines* on March 23, 1989 (last amended on May 29, 2003). In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs to assist local agencies and school district in claiming reimbursable costs.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Emergency Procedures, Earthquake Procedures, and Disasters Program for the period of July 1, 2001, through June 30, 2003.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* Sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, Desert Sands Unified School District claimed and was paid \$369,561 for costs of the Emergency Procedures, Earthquake Procedures, and Disasters Program. Our audit disclosed that the entire amount is unallowable.

For fiscal year (FY) 2001-02, the State paid the district \$181,811. Our audit disclosed that all of the costs claimed are unallowable. The district should return \$181,811 to the State.

For FY 2002-03, the State paid the district \$187,750. Our audit disclosed that all of the costs claimed are unallowable. The district should return \$187,750 to the State.

Views of Responsible Official

We issued a draft audit report on November 8, 2006. We contacted Cindy McDaniel, Director of Fiscal Services, by telephone on December 15, 2006. Ms. McDaniel declined to respond to the draft report.

Restricted Use

This report is solely for the information and use of the Desert Sands Unified School District, the Riverside County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by:

JEFFREY V. BROWNFIELD
Chief, Division of Audits

Schedule 1— Summary of Program Costs July 1, 2001, through June 30, 2003

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2001, through June 30, 2002</u>				
Salaries and benefits	\$ 177,257	\$ —	\$ (177,257)	Findings 1, 4
Materials and supplies	745	—	(745)	Finding 2
Total direct costs	178,002	—	(178,002)	
Indirect costs	3,809	—	(3,809)	Findings 1, 2, 4
Total program costs	<u>\$ 181,811</u>	—	<u>\$ (181,811)</u>	
Less amount paid by the State		(181,811)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (181,811)</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Salaries and benefits	\$ 179,142	\$ —	\$ (179,142)	Findings 1, 4
Materials and supplies	920	—	(920)	Finding 2
Total direct costs	180,062	—	(180,062)	
Indirect costs	7,688	—	(7,688)	Findings 1, 2, 4
Total program costs	<u>\$ 187,750</u>	—	<u>\$ (187,750)</u>	
Less amount paid by the State		(187,750)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (187,750)</u>		
<u>Summary: July 1, 2001, through June 30, 2003</u>				
Salaries and benefits	\$ 356,399	\$ —	\$ (356,399)	Findings 1, 4
Materials and supplies	1,665	—	(1,665)	Finding 2
Total direct costs	358,064	—	(358,064)	
Indirect costs	11,497	—	(11,497)	Findings 1, 2, 4
Total program costs	<u>\$ 369,561</u>	—	<u>\$ (369,561)</u>	
Less amount paid by the State		(369,561)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (369,561)</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Unallowable salary and benefit costs, and related indirect costs— inadequate documentation

The district claimed unallowable salary and benefit costs totaling \$356,049 for the audit period. The related indirect costs total \$11,432. The unallowable costs occurred because costs claimed were not supported with adequate source documentation.

The district claimed salary and benefit costs totaling \$21,771 to update the earthquake emergency system and prepare for training. The entire amount is unallowable. The district did not provide any documentation to support \$3,553 of costs claimed and did not provide contemporaneous time logs to support the remaining costs claimed. In addition, the district claimed unallowable salary and benefit costs totaling \$334,278 for employee training. The district did not provide any documentation to support \$116,664 of the costs claimed and did not provide contemporaneous records that would support the remaining unallowable costs claimed.

During our audit fieldwork, we obtained a sample letter addressed from the district's consultant to school site representatives. The district's consultant issued the letter in response to our scheduled audit. In the letter, the district's consultant directed district employees to complete employee certifications by identifying specific dates that employees performed mandate-related activities. The district provided these employee certifications to support costs claimed. A district representative acknowledged that employees identified dates after the fact and, in some instances, may have recorded any date to fulfill requirements for the district's consultant. In several instances, the employee certifications indicate that employees performed mandated activities on Saturdays, Sundays, and holidays.

Regarding employee training, the certifications indicate that all school site employees attended 2.0 hours of mandate-related training. The district's Director of Fiscal Services testified that the 2.0 hours claimed was based on a time study; however, the district was unable to provide any documentation that supports a time study.

The following table summarizes the audit adjustment.

	Fiscal Year		
	2001-02	2002-03	Total
Salaries and benefits:			
Updating system/training preparation:			
Unsupported	\$ (2,643)	\$ (910)	\$ (3,553)
Unallowable employee certification	(10,274)	(7,944)	(18,218)
Total updating system/training preparation	(12,917)	(8,854)	(21,771)
Employee training:			
Unsupported	(53,204)	(63,460)	(116,664)
Unallowable employee certification	(110,908)	(106,706)	(217,614)
Total employee training	(164,112)	(170,166)	(334,278)
Total salary and benefit costs	(177,029)	(179,020)	(356,049)
Indirect costs	(3,788)	(7,644)	(11,432)
Audit adjustment	<u>\$(180,817)</u>	<u>\$(186,664)</u>	<u>\$(367,481)</u>

Parameters and Guidelines states:

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include [declarations]. . . . However, corroborating documents cannot be substituted for source documents.

In addition, *Parameters and Guidelines* requires districts to support training costs claimed by identifying the “title, subject, and purpose (related to the mandate of the training session), dates attended, and location.” If the training encompasses subjects broader than the reimbursable activities, only the pro rata portion may be claimed.

Recommendation

We recommend that the district maintain adequate documentation to support costs claimed in accordance with *Parameters and Guidelines*.

**FINDING 2—
Unallowable material
and supply costs, and
related indirect costs**

The district claimed unallowable materials and supplies costs totaling \$1,665. The related indirect costs total \$55.

For fiscal year (FY) 2001-02, the district provided four employee certifications that identify various expenses. The district provided no other documentation to validate that the costs were incurred or mandate-related. The district provided no documentation to support costs claimed for FY 2002-03.

The following table summarizes the audit adjustment.

	Fiscal Year		Total
	2001-02	2002-03	
Materials and supplies costs	\$ (745)	\$ (920)	\$ (1,665)
Indirect costs	(16)	(39)	(55)
Audit adjustment	<u>\$ (761)</u>	<u>\$ (959)</u>	<u>\$ (1,720)</u>

Parameters and Guidelines states:

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. . . .

Recommendation

We recommend that the district maintain adequate documentation to support costs claimed in accordance with *Parameters and Guidelines*.

**FINDING 3—
Unallowable salary
and benefit costs, and
related indirect costs—
funded from other
sources**

The district claimed unallowable salary and benefit costs totaling \$14,311. The related indirect costs total \$444. The unallowable costs occurred because the district claimed salary and benefit costs for employees funded from restricted fund sources. Finding 1 includes these unallowable costs; therefore, no additional unallowable costs result from this finding.

For FY 2001-02, the district claimed salary and benefit costs for employees who worked in six job classifications that were funded with restricted funds (e.g., Child Nutrition: School Programs, Peer Assistance and Review Program, and Routine Repair and Maintenance Program). For FY 2002-03, the district claimed costs for employees who worked in three job classifications that were funded with restricted funds.

The following table summarizes the audit adjustment.

	Fiscal Year		Total
	2001-02	2002-03	
Salary and benefit costs	\$ (7,847)	\$ (6,464)	\$(14,311)
Indirect costs	(168)	(276)	(444)
Subtotal	(8,015)	(6,740)	(14,755)
Less costs disallowed in Finding 1	8,015	6,740	14,755
Audit adjustment	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Parameters and Guidelines states:

... reimbursement for this mandate from any source, including but not limited to, service fees collected, federal funds and other state funds shall be identified and deducted from this claim.

Recommendation

We recommend that the district exclude claimed costs for employees who are funded from restricted fund sources.

**FINDING 4—
Unsupported hourly
rates claimed**

The district claimed unallowable salary and benefit costs totaling \$356,399 for the audit period. Of this amount, \$356,049 was disallowed in Finding 1. This finding disallows the remaining \$350. The related indirect costs total \$10. The district did not provide adequate source documentation to support the hourly rates claimed. The district provided a schedule that summarizes hourly rate computations; however, the district did not provide source documents to validate the computations.

The following table summarizes the audit adjustment.

	Fiscal Year		Total
	2001-02	2002-03	
Salary and benefit costs	\$ (228)	\$ (122)	\$ (350)
Indirect costs	(5)	(5)	(10)
Audit adjustment	<u>\$ (233)</u>	<u>\$ (127)</u>	<u>\$ (360)</u>

Parameters and Guidelines states that actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities.

Recommendation

We recommend that the district maintain adequate documentation to support costs claimed in accordance with *Parameters and Guidelines*.

**State Controller's Office
Division of Audits
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<http://www.sco.ca.gov>